

**FY 00 General Fund
and Transportation Fund
Budget Projections**

November 16, 1999



**Connecticut General Assembly
Office of Fiscal Analysis**

FY 00 General Fund and Transportation Fund Budget Projections

(as of November 16, 1999)

I. General Fund

Our projections for the fiscal year ending June 30, 2000 indicate the **potential net surplus has grown** by \$13.7 million from the \$64.4 million originally budgeted **to \$78.1 million** (which represents 0.7% of the original budget). The \$13.7 million increase is based on revised **estimated revenues** that **are \$136 million above the budget act estimates** and **estimated expenditures** that **are \$122.3 million higher than original net appropriations**. As it is relatively early in the fiscal year, these estimates are preliminary in nature and are subject to revisions in the future as more data becomes available. It should be noted that our projections assume that \$72 million in savings anticipated in the Department of Social Services' budget (related to the pharmacy program and the elimination of the co-payment to providers of services for clients who are eligible for both Medicaid and Medicare benefits) will be realized. Should these savings not be fully realized, there would be a negative impact upon the projected surplus.

Revenues

A net increase in General Fund revenue of \$136 million results primarily from increases in (1) the personal income tax, (2) sales tax, (3) inheritance and estate tax, (4) real estate tax, (5) Indian gaming payments, and a decrease in the corporation tax.

The income tax estimate is up \$85.4 million above budget plan projections; \$40.4 million as a result of higher collections and \$45 million from lower than anticipated refunds. The revision in the estimate is due to two factors:

1. Withholding taxes for the first quarter exceeded estimates. Collections grew at 8.3% for the first quarter while the budget act projected 7.3% growth.
2. Actual year end FY 99 collections were slightly stronger and refund payments were lower than what was anticipated when FY 00 revenue estimates were adopted in early June, therefore the revised estimates reflect these changes.

The sales tax estimate is up \$24.4 million above budget plan estimates. The revised estimate reflects year-to-date collections which are running ahead of estimates by \$6 million and reflect the continued robust economy and the wealth effect on spending.

The corporation business tax estimate is down \$43.3 million; \$23.3 million as a result of lower collections and \$20 million from higher than anticipated refunds. The final FY 99 collections were approximately \$30 million lower than the amount estimated when the FY 00 budget act estimates were adopted, therefore, the revised estimate reflects lower FY 99 base revenue.

The increase in the inheritance and estate tax of \$12.3 million is due to year-to-date collections. The budget act estimate assumed a lower level of collections resulting from the scheduled phase-out of the tax, however, collections through the first four months of the year are nearly equal to the first four months of last fiscal year. It appears that growth in the value of estates caused by increasing stock market values and higher housing prices is negating the anticipated revenue loss from the elimination of the tax on lower valued estates.

The increase in the real estate conveyance tax of \$9.8 million is due to growth in year-to-date collections. Year-to-date collections grew by 4.8% through the first four months, while the budget act projected revenues would be slightly lower. This growth is on top of impressive growth (24.5%) that occurred between the same period in FY 99 compared to FY 98.

Indian gaming payments have been increased by \$13.3 million based on year-to-date payments which are up by \$4.8 million over estimates (\$2.8 million – Foxwoods, and \$2.0 million - Mohegan Sun).

Expenditures

Lapse/Deficiency

Expenditure requirements are estimated to be \$122.3 million higher than budgeted due primarily to estimated deficiency appropriations of \$68.3 million and the \$50 million loss of savings associated with the State Information Technology (IT) Privatization. (It should be noted that the deficiency amount is gross, not net, as has been the case in the past. A net deficiency is one in which any extra funds from other agency accounts are used to offset the shortfalls in other accounts in the same agency.) The major area requiring a deficiency appropriation is the Department of Social Services (DSS) (\$37.1 million) and this is due to: 1) slightly higher expenditures for long-term care than were initially forecasted in the Medicaid budget; 2) continued growth in the number of disabled enrollees and strong pharmaceutical inflation in the ConnPACE program; and 3) higher than anticipated medical bills through the first three months of the fiscal year in the State Administered General Assistance (SAGA) program. Also, projected payments for two non-budgeted accounts are factored in: Adjudicated Claims of \$5 million and Refunds of Escheated Property at \$9 million. A further explanation of deficiency requirements can be found beginning on [page 6](#). Since slightly more than the \$86 million in unallocated lapses anticipated by the budget have already been identified, we have increased our estimated lapse projection by \$10 million. A summary of and explanations for General Fund lapsing appropriations can be found beginning on [page 11](#).

State Information Technology (IT) Privatization

The 1997-99 biennial budget (passed in June 1997) included \$50 million in annual savings beginning in FY 99 from "Agency Statewide Functional Consolidation," which are savings claimed as the result of privatizing or outsourcing the state's information technology (IT) business to a private company. The contractor was originally expected to assume operations by January 1998. The budgeted savings for FY 99 was not changed by the legislature during the 1998 session and remained at \$50 million, because the administration indicated that the contract would take effect by January 1999, and that \$50 million in savings could be achieved in one-half year. On December 30, 1998, the administration announced that it had selected Electronic Data Systems (EDS) as the private computer firm, and continued negotiating the contract throughout the 1999 session. On June 28, 1999, 10 days after the 1999-01 biennial budget became law, the state's chief information officer announced that a contract could not be reached and that the privatization effort would be abandoned. Instead, the state will explore outsourcing individual IT applications on an agency-by-agency basis. Therefore, it is anticipated that none of the \$50 million in IT savings budgeted in each of FY 00 and FY 01 will be realized.

Hiring Freeze and Allotment Reductions

The governor anticipates that the hiring freeze (announced on 9/1/99) and the allotment reductions (announced 9/8/99) will save \$21.2 million in the General Fund. He anticipates that the hiring freeze will cut 200 jobs and save \$4 million and that the allotment reductions will save \$17.2 million. It should be noted that these savings are intended to be in addition to the \$24.6 million anticipated to be realized in the original budget plan from General Personal Services Reductions (\$13.6 million) and General Other Expenses Reductions (\$11 million). Since the spending cap is based on appropriations, savings from the hiring freeze and allotment reductions will not affect the cap unless a reduction in appropriations is made. The cap problem for FY 01 may be helped if some of these FY 00 savings result in budget cuts for FY 01.

Estimated Lapses

The original lapse savings of \$110.6 million associated with unallocated lapses and Personal Services and Other Expenses holdbacks is anticipated to be achieved by the end of the fiscal year. Since slightly more than the \$86 million in unallocated lapses anticipated by the budget have already been identified, we have increased our estimated lapse projection by \$10 million.

It should be noted that \$18.9 million of our \$20 million projected lapse in the Department of Labor is related to the Jobs First Employment Services program (\$8.2 million) and the Welfare to Work program (\$10.7 million). This lapse would not be achieved if these funds were carried forward into FY 01. SA 99-10 (the appropriations act) carried forward \$13.7 million for these programs from FY 99 into FY 00, which resulted in making these funds unavailable to lapse.

**FY 00 General Fund Summary
as of November 16, 1999
(in millions)**

	<u>Budget Plan</u>	<u>Increases (Decreases)</u>	<u>Revised Estimates</u>
Revenues			
Taxes	\$ 7,825.8	\$ 95.7	\$ 7,921.5
Other Revenue	932.7	22.3	955.0
Other Sources	<u>1,887.5</u>	<u>18.0</u>	<u>1,905.5</u>
Total Revenue	\$ 10,646.0	\$ 136.0	\$ 10,782.0
Appropriations			
Original Appropriations - Gross	\$ 10,742.2	\$ 0.0	\$ 10,742.2
Less:			
Estimated Lapses	(86.0)	(10.0)	(96.0)
General PS and OE Reductions	(24.6)	0.0	(24.6)
Statewide Agency Functional Consolidation (IT Priv.)	(50.0)	50.0	0.0
Plus:	0.0	0.0	0.0
Estimated Deficiency Appropriations (Gross)	0.0	68.3	68.3
Estimated Adjudicated Claims	0.0	5.0	5.0
Estimated Refunds of Escheated Property	<u>0.0</u>	<u>9.0</u>	<u>9.0</u>
Total Estimated Expenditures [1]	\$ 10,581.6	\$ 122.3	\$ 10,703.9
Projected Surplus from Operations for FY 00	\$ 64.4	\$ 13.7	\$ 78.1
Transfer to Fully Fund the Budget Reserve Fund [2]			(25.2)
Remaining Balance (Unappropriated Surplus) to Debt Retirement [3]			\$ 52.9

[1] Excludes expenditures from prior year carry forwards (including appropriations of FY 99 surplus).

[2] This \$25.2 million addition increases the amount in the Budget Reserve Fund (BRF) from \$529.1 million to \$554.3 million. This keeps the BRF at the statutory limit of 5% of the net General Fund appropriations for FY 01 as reflected in the budget provided by SA 99-10.

[3] The remaining balance (unappropriated surplus) will be used for debt retirement in accordance with the constitutional amendment adopted November 25, 1992.

**FY 00 General Fund Revenue
as of November 16, 1999
(in thousands)**

	Budget Plan		OFA		OFA Estimate	
	Growth	FY 00	Over/(Under)	Growth	FY 00	
	Rate % [1]	Estimate	Budget Plan	Rate % [1]	Estimate	
Taxes						
Personal Income	5.2	\$ 3,974,600	\$ 40,400	6.2	\$ 4,015,000	
Sales and Use	5.8	3,028,600	24,400	6.1	3,053,000	
Corporations	4.7	573,300	(23,300)	5.0	550,000	
Inheritance and Estate	4.0	197,700	12,300	10.6	210,000	
Hospital Gross Receipts	(2.2)	79,600	1,900	(2.3)	81,500	
Public Service Corporations	2.1	170,300	0	1.6	170,300	
Insurance Companies	4.1	199,200	0	2.3	199,200	
Cigarettes	(2.5)	121,900	0	(1.2)	121,900	
Oil Companies	2.1	18,000	0	5.4	18,000	
Real Estate Conveyance	(2.6)	100,200	9,800	3.1	110,000	
Alcoholic Beverages	0.0	40,000	0	(0.7)	40,000	
Miscellaneous	3.5	39,300	2,700	3.5	42,000	
Admissions, Dues and Cabaret	2.0	24,600	400	1.5	25,000	
Total Taxes		\$ 8,567,300	\$ 68,600		\$ 8,635,900	
Refunds of Taxes		(741,500)	27,100		(714,400)	
Net Taxes		\$ 7,825,800	\$ 95,700		\$ 7,921,500	
Other Revenue						
Transfer Special Revenue		\$ 250,000	\$ 8,000		\$ 258,000	
Indian Gaming Payments		306,700	13,300		320,000	
Licenses, Permits and Fees		124,000	(4,000)		120,000	
Sales of Commodities and Services		32,000	0		32,000	
Rentals, Fines and Escheats		35,000	5,000		40,000	
Investment Income		70,000	(5,000)		65,000	
Miscellaneous		115,000	5,000		120,000	
Total Other Revenue		\$ 932,700	\$ 22,300		\$ 955,000	
Other Sources						
Federal Grants		\$ 1,989,500	\$ 18,000		\$ 2,007,500	
Transfer from Tob. Settlement Fund		78,000	0		78,000	
Transfer to Other Funds		(180,000)	0		(180,000)	
Total - Other Sources		\$ 1,887,500	\$ 18,000		\$ 1,905,500	
TOTAL REVENUE		\$ 10,646,000	\$ 136,000		\$ 10,782,000	

[1] Tax growth rates reflect adjustments for rate and base changes.

FY 00 Projected General Fund Deficiencies

Department of Mental Retardation

OPM Gross Deficiency \$(6,200,000)	OFA Gross Deficiency \$(6,200,000)	Less: Available Funds \$2,870,000	OFA Net (Deficiency) / Surplus \$(3,330,000)
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The Department of Mental Retardation has a projected gross deficiency of \$6.2 million in FY 00. This projected deficiency assumes that the Personal Services holdback of \$1,896,755 and the Other Expenses holdback of \$800,074 are not released, therefore making this \$2.7 million unavailable to cover the level of expenditures in these accounts as anticipated in the budget. In addition to the \$800,074, it is also anticipated that the Other Expenses (OE) account will experience an additional \$900,000 shortfall. Areas such as rents (increase in Department of Public Works negotiated renewals of existing DMR leases), snow plowing (anticipating a more severe winter than last year), utilities and fuel are anticipated to reflect increases over last year.

It is anticipated that the Workers' Compensation Claims account will experience a shortfall of approximately \$2.6 million. In FY 99 a negative checkbook balance of (\$910,420) resulted due to workers' compensation claims. The FY 00 estimated shortfall includes the negative FY 99 balance.

In lieu of releasing the \$2.7 million in holdbacks and the \$169,280 in allotment reductions (Early Intervention and Human Resource Development accounts) to cover the shortfall, an estimated FY 00 lapse of \$2.87 million would result. However, if the holdbacks and allotment reductions are released an estimated net deficiency of \$3.33 million would result.

Department of Mental Health and Addiction Services

OPM Gross Deficiency \$(7,000,000)	OFA Gross Deficiency \$(5,540,000)	Less: Available Funds \$5,525,000	OFA Net (Deficiency) / Surplus \$(15,000)
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The Department of Mental Health and Addiction Services has a projected gross deficiency of \$5.54 million in FY 00. This projected deficiency assumes that the Personal Services holdback of \$1,484,303 and the Other Expenses holdback of \$972,335 will not be released, therefore making this \$2.46 million unavailable to cover the level of expenditures in these accounts as anticipated in the budget. The department is also expected to lapse \$590,000 in various accounts, resulting in a net estimated deficiency of \$4.95 million.

The majority of the estimated department deficiency is in the Personal Services account, with a year-end estimated deficiency of \$3.6 million. This deficiency is primarily due to higher than anticipated costs associated with the operation of the new forensic ward at Connecticut Valley Hospital. The unbudgeted Finance Advisory Committee (FAC) transfer of \$500,000 in August to establish Intermediate Psychiatric Services in the Eastern Region also has contributed to this estimated deficiency.

The Workers' Compensation account is estimated to have a \$1 million deficiency due primarily to the settlement of old claims. The Other Expenses account is expected to have a deficiency of \$400,000 due to increased lease costs and higher utilization of outside consultants by the department.

It should be noted that the expenditure estimates include allotment reductions totaling \$2,476,820 in addition to the holdbacks noted above. Should both the allotment reductions and holdbacks be released and made available (via FAC action) to deficient accounts (which is not expected at this time), the net year-end estimate for the department would be a deficiency of \$15,000.

Department of Social Services

OPM Gross Deficiency \$(32,500,000)	OFA Gross Deficiency \$(37,100,000)	Less: Available Funds \$43,100,000	OFA Net (Deficiency) / Surplus \$6,000,000
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It is estimated that the **Department of Social Services** will experience a year-end surplus of \$725,508 in its \$3.38 billion FY 00 budget. This surplus is net of potential deficiencies and lapses in all accounts. If the PS/OE holdbacks and the allotment reductions are released, the agency would experience a \$6 million surplus based upon current estimates. The following forecasts are based upon the fiscal year's first quarter's actual expenditures and three-quarters estimated expenditures. This forecast includes \$72 million in budgeted savings in the Medicaid program of which there are serious concerns as outlined below.

Medicaid (-\$18.2 million) – The Medicaid program has an available appropriation for FY 00 of \$2.137 billion. OFA is currently estimating a deficiency of \$18.2 million, which represents less than one percent of the entire account. This forecast is based upon the first three months of actual expenditures. The increase in the Medicaid account is largely due to slightly higher expenditures for long-term care than was initially forecasted in the budget.

However, it is of significant note that OFA's projections include two expenditure initiatives that are forecasted to result in substantial savings to the Medicaid program. The first initiative, proposed by the governor and adopted by the legislature, requires that \$18 million in savings be achieved through the contracting of pharmaceutical services. To date, no contract to achieve this reduction has been negotiated and there appears to be no activity on the part of the agency to offer such a contract to the private sector.

The second initiative involves the implementation of a 1991 law that requires DSS to limit payments to providers of services to dual-eligible clients. (Clients who are eligible for both Medicare and Medicaid benefits.) The elimination of co-payments for Medicare services for these clients was projected to save \$54 million. To date, this provision has not been implemented and the state continues to pay providers the Medicare co-payment. The agency has notified providers that they intend to recoup all such payments made in this fiscal year. To restructure Medicaid payments requires the agency to reprogram its financial systems. The department intends to phase-in the reprogramming over the next several months, however the start date will not begin before the end of November and may be delayed even further. Electronic Data Systems, Inc. (EDS) is the outside contractor responsible for operating DSS financial information systems. These combined items represent \$72 million in savings adopted by the legislature and will have a significant impact on the Medicaid budget if they are not achieved.

ConnPACE (-\$8.8 million) - OFA estimates a FY 00 shortfall of \$8.8 million for the ConnPACE program (or \$2.3 million more than the OPM deficiency estimate of \$6.5 million). This reflects continued growth in the number of disabled enrollees (up 476 since June, 1998), strong pharmaceutical inflation and a recognition of the fact that a budgeted savings of \$2.1 million from implementing revised purchasing protocols is not likely to be realized.

State Administered General Assistance (-\$7.5 million) - OFA currently estimates that this account will have a deficiency of approximately \$7.5 million for FY 00. This deficiency is due to higher than anticipated medical bills through the first three months of the fiscal year. However, as the behavioral health aspects of this program have recently been transferred to the Department of Mental Health and Addiction Services, certain financial reconciliations between the two departments may still occur. Any such adjustments could lower the deficiency estimate for this account.

Our projections indicate that DSS will lapse approximately \$37.8 million. A summary of and explanations for the major lapsing appropriations in DSS can be found beginning on [page 12](#).

Department Of Correction

OPM Gross Deficiency \$(7,500,000)	OFA Gross Deficiency \$(9,400,000)	Less: Available Funds \$9,500,000	OFA Net (Deficiency) / Surplus \$100,000
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A gross deficiency of approximately \$9 million is projected for the Department of Correction (DOC). Of this amount, \$2.5 million is mainly attributed to additional mental health staff and services. It should be noted that the University of Connecticut Health Center is responsible for providing all healthcare for the state's inmates. An additional \$625,000 is related to halfway house beds and the remaining \$6 million deficiency is to cover costs associated with sending inmates to prisons operated by the state of Virginia.

DOC had projected its inmate population to reach 17,500 in FY 2001, but the population has already exceeded this level in FY 2000. In order to address this dilemma, the department reached an agreement with the state of Virginia to transfer 500 inmates. DOC has already sent 80 inmates to Virginia and plans to send the balance by the end of December.

At this time, it appears that the department will lapse more than \$4 million in its currently available Personal Services account funding. In addition, there is about \$5.0 million in Personal Services and Other Expenses holdbacks. The "Less: Available Funds" figure above represents the sum of the allotment reductions and the Personal Services account lapse.

Department of Children and Families

OPM Gross Deficiency \$(7,100,000)	OFA Gross Deficiency \$(7,100,000)	Less: Available Funds \$7,700,000	OFA Net (Deficiency) / Surplus \$600,000
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The Department of Children and Families has a projected gross deficiency of \$7.1 million in FY 00. This assumes that a Personal Services holdback of \$1.44 million, an Other Expenses holdback of \$1.0 million and a \$5.24 million allotment reduction under the Board and Care for Children - Residential account are not released.

Contributing to the gross deficiency are shortfalls of:

\$2.6 million in Personal Services, primarily attributable to the agency's inability to meet the programmed holdback while maintaining compliance with court ordered staffing patterns, as well as overtime costs in excess of budget;

\$1.1 million in Other Expenses, primarily attributable to an inability to absorb the impact of the holdback in light of increased regional office and mileage costs associated with expanding children's protective services staffing;

\$800,000 in the Worker's Compensations Claims account to more accurately reflect recent claims patterns;

\$550,000 in the No Nexus Special Education account to reflect revised caseload estimates;

and \$2.2 million in board and care costs based on current caseload and cost trends.

Judicial Department

OPM Gross Deficiency \$(3,000,000)	OFA Gross Deficiency \$(3,000,000)	Less: Available Funds \$3,100,000	OFA Net (Deficiency) / Surplus \$100,000
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A projected \$3.0 million deficiency is required for the agency to accommodate enhancements to the state's three juvenile detention facilities in Bridgeport, Hartford and New Haven. This assumes that a Personal Services holdback of \$1.3 million and an Other Expenses holdback of \$1.8 million are not released. These enhancements stem from a Department of Children and Families (DCF) investigation that began on February 24, 1999 regarding allegations of abuse at the New Haven Detention Center. On June 4, 1999, DCF confirmed findings of physical abuse against nine employees and physical neglect against 19 employees, found the physical plant to be sub-standard, found inadequate training and supervision and various other deficiencies. Since that time, the Judicial Department, in consultation with DCF and the Office of Policy and Management, has developed a plan to address these and other deficiencies in the detention system.

The plan calls for a wide range of enhancements beginning in FY 00 and ending in FY 02 that includes significant physical improvements to the New Haven facility as well as construction of new facilities in Hartford and Bridgeport (total of \$42.6 million bonding authorized). General Fund requirements would be \$3.0 million in FY 00, \$6.7 million in FY 01 and \$7.0 million in FY 02. This includes the filling of existing vacancies in the detention facilities, the hiring of 30 additional supervisors and classification and program officers as well as other staff by January 1, 2000, and enhancements to medical and psychiatric services and various alternative programs.

However, if the holdbacks and allotment reductions are released an estimated net surplus of \$.1 million would result.

Total Projected Deficiencies:

OPM Gross Deficiency \$(63,300,000)	OFA Gross Deficiency \$(68,340,000)	Less: Available Funds* \$71,795,000	OFA Net (Deficiency) / Surplus \$3,455,000
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*Includes: PS/OE Holdbacks, Allotment Reductions and other projected account balances.

Summary of FY 00 General Fund Lapsing Appropriations

<u>Agency</u>	<u>Amount</u> <u>(in millions)</u>	
Status of Budgeted Lapses:		
Department of Labor	\$ 20.0	
Department of Social Services	37.8	
Department of Correction	4.4	
Allotment Reductions	<u>21.2</u>	
Total - Significant Identified Lapsing Appropriations	\$ 83.4	
Other Identified Lapses (less than \$1 million each)	6.3	
Unidentified Lapses	<u>6.3</u>	
Subtotal		\$ 96.0
General Personal Services and Other Expenses Reductions:		
Personal Services Holdbacks	\$ 13.6	
Other Expenses Holdbacks	<u>11.0</u>	
Subtotal		\$ 24.6
Agency Statewide Functional Consolidation*		<u>0.0</u>
Total Projected Lapse		\$ 120.6

Note: the only change from the budget level of \$160.6 million is the elimination of the \$50 million budgeted savings associated with Agency Statewide Functional Consolidation and a \$10 million increase in the estimated lapse.

*The 1997-99 biennial budget (passed in June 1997) included \$50 million in annual savings beginning in FY 99 from "Agency Statewide Functional Consolidation," which are savings claimed as the result of privatizing or outsourcing the state's information technology (IT) business to a private company. The contractor was originally expected to assume operations by January 1998. The budgeted savings for FY 99 was not changed by the legislature during the 1998 session and remained at \$50 million, because the administration indicated that the contract would take effect by January 1999, and that \$50 million in savings could be achieved in one-half year. On December 30, 1998, the administration announced that it had selected Electronic Data Systems (EDS) as the private computer firm, and continued negotiating the contract throughout the 1999 session. On June 28, 1999, 10 days after the 1999-01 biennial budget became law, the state's chief information officer announced that a contract could not be reached and that the privatization effort would be abandoned. Instead, the state will explore outsourcing individual IT applications on an agency-by-agency basis. Therefore, it is anticipated that none of the \$50 million in IT savings budgeted in each of FY 00 and FY 01 will be realized.

FY 00 Potential Significant General Fund Lapsing Appropriations

Agency / Explanation

Lapsing Amount

Department of Labor

\$20,000,000

The Department of Labor will lapse approximately \$20 million. Two new programs, the Connecticut Employment and Training Commission workforce development initiatives and Job Funnels for Hartford's development projects will lapse \$1,000,000 and \$250,000, respectively. During the first quarter of FY 00, neither program has expenditures. The Jobs First Employment Services program will lapse approximately \$8,200,000 out of an available appropriation of \$23,340,477 for FY 00. Expenditures are \$1,133,000 for the first three months of FY 00. Based on previous spending, funds spent will increase to over a million dollars on a monthly basis. June of FY 00 should show the largest amount of expenditure as payments for performance contracts are made. The Welfare to Work program will lapse approximately \$10,700,000 out of an available appropriation of \$16,880,316. During the first quarter of FY 00, an amount of \$1,542, 848 has been spent.

Department of Social Services

\$37,800,000

Our projections indicate that the Department of Social Services will lapse \$37.8 of which \$35.2 million will occur in the following programs:

HUSKY (\$5.1 million) – OFA currently estimates a \$5.1 million lapse in the HUSKY B Program, the state's health care program that provides insurance for children not eligible for Medicaid. Budgeted enrollment was forecast to begin the fiscal year at 6,300 cases and end the year at 11,800 cases. Actual enrollment for the first three months of the fiscal year was 4,051 cases with an estimated year-end enrollment of 8,051 cases. This reduction in caseload is expected to result in a surplus of \$3.8 million in the account. An additional savings of \$1.3 million will result from lower than expected expenditures for the HUSKY Plus Program. OFA is forecasting a \$5.1 million total surplus in the \$14.5 million health care account.

Child Care Services (\$19.06 million) - The Department of Social Services is projected to lapse \$19.06 million of \$137.3 million appropriated to the combined Child Care Services accounts due to lower than anticipated caseloads. Enrollment in the second largest segment of Child Care Services - Work Related Child Care -- which serves those working while on time-limited assistance, is significantly below expected levels. Work Related Child Care was originally budgeted at a monthly average of 7,000 cases for the first three months of the fiscal year, yet is 51% lower at an average of 3,464 cases for the period. However, the caseload for those who need child care after TFA benefits expire and receive Transitional Child Care or Child Care Certificates is at projected levels. The lapse would be larger if it were not for slightly higher than budgeted costs per case in all areas of Child Care Services.

Temporary Assistance to Families (TFA) (\$7.3 million) - OFA currently estimates a surplus of approximately \$7.3 million in this account due to lower than anticipated caseloads through the first three months of the fiscal year. Since the state restructured the welfare-related programs in 1996, the cash assistance caseload under the TFA program has been steadily declining. The FY 00 TFA appropriation was based on an estimated annual monthly average paid caseload of 32,196. However, the continued rate of decline during the end of FY 99 and the first three months of FY 00 now indicates that the caseload will average approximately 30,800 paid cases monthly.

Supplemental Assistance (\$3.7 million) - The Supplemental Assistance accounts (Aid to the Disabled, Aid to the Blind, Old Age Assistance) are currently projected to have a combined FY 00 surplus of approximately \$3.7 million. As with the TFA program, caseloads in these three programs are all currently below the original FY 00 projections. For the Aid to the Disabled account, the average monthly caseload is estimated to be 18,694, which is 902 cases below the budgeted estimate of 19,596. In the Old Age Assistance account, the estimated monthly caseload of 7,279 is 271 cases below the original projection. In the Aid to the Blind account, the estimated monthly caseload of 150 is 8 cases below the original projection.

Department of Correction

\$4,400,000

It is anticipated that the Department of Correction (DOC) will lapse approximately \$4.4 million in Personal Services due to a significant number of positions that will remain vacant during FY 00. In this fiscal year, DOC is authorized 6,902 positions. Currently, more than 500 are not filled.

Hiring Freeze and Allotment Reductions

\$21,200,000

The governor anticipates that the hiring freeze (announced on 9/1/99) and the allotment reductions (announced 9/8/99) will save \$21.2 million in the General Fund. He anticipates that the hiring freeze will cut 200 jobs and save \$4 million and that the allotment reductions will save \$17.2 million. It should be noted that these savings are intended to be in addition to the \$24.6 million anticipated to be realized in the original budget plan from General Personal Services Reductions (\$13.6 million) and General Other Expenses Reductions (\$11 million). Since the spending cap is based on appropriations, savings from the hiring freeze and allotment reductions will not affect the cap unless a reduction in appropriations is made. The cap problem for FY 01 may be helped if some of these FY 00 savings result in budget cuts for FY 01.

II. Transportation Fund

Our projections for the fiscal year ending June 30, 2000 indicate the **potential surplus from operations, based on revised estimated revenues, has grown by \$10.5 million** from the \$52.9 million originally budgeted **to \$63.4 million** (which represents 7.7% of the original budget). In accordance with Section 13b-68 CGS, the \$63.4 million surplus would be used for debt retirement. This leaves the required fund balance of \$20 million as of June 30, 1999 in addition to the \$31.4 million from the FY 98 surplus and the \$51.9 million from the FY 99 surplus, which will also be used for debt retirement. Since it is relatively early in the fiscal year, these estimates are preliminary in nature and are subject to revisions in the future as more data becomes available. Outcomes associated with the settlement of two pending litigation claims (see explanation below) may also impact Transportation Fund expenditures.

Revenues

Transportation Fund revenue is estimated at \$884.3 million, which is an increase of \$10.5 million over budget act estimates. The motor fuel tax estimate has been increased by \$10 million. First quarter collections grew by 3.7% over last fiscal year, and are higher than the budget act estimate of 1.0%. The strength in collections is the result of the continued robust economy.

Expenditures

FY 00 estimated expenditures for the Transportation Fund are projected to be \$820.9 million (unchanged from original appropriations). Currently, it is not known whether a debt service lapse will occur. The Treasurer's Office is anticipated to issue bonds next month and better estimates will be available at such time. Ultimate snow and ice expenditures will be determined by the severity of the winter season.

Section 27 of SA 99-10 (the appropriations act) allows the Secretary of the Office of Policy and Management (OPM) to carry forward unexpended funds for collective bargaining agreements and related costs into FY 00 and FY 01. As a result, \$24.7 million (net) was carried forward into FY 00. Although the exact amount of funding that will be needed is not known at this time, it is anticipated that actual requirements will be significantly less than the amount available. There would be a potential for a significant lapse to occur if the legislature were to limit OPM's carryforward authority by the amount not required to meet needs in the account.

Although \$2.0 million from the FY 99 Rail Operations lapse was carried forward to FY 00 for the anticipated settlement of a Metro North Personal Injury Claim, and a \$3.9 million appropriation from the FY 99 Transportation Fund surplus was made available in FY 00 for the settlement of a pending claim concerning cost overruns for the Department of Transportation's (DOT) headquarters building, the impact of these two claims on expenditures will ultimately depend on the outcome of the settlements.

It should be noted that the estimated lapse savings of \$20.0 million included in the budget act are anticipated to be achieved by June 30, 2000.

**FY 00 Transportation Fund Summary
as of November 16, 1999
(in millions)**

	<u>Budget Plan</u>	<u>Increases (Decreases)</u>	<u>Revised Estimates</u>
Revenues			
Taxes	\$ 540.5	\$ 10.0	\$ 550.5
Other Revenue	333.3	0.5	333.8
Total Estimated Revenues	\$ 873.8	\$ 10.5	\$ 884.3
Appropriations			
Original Appropriations - Gross	\$ 840.9	\$ 0.0	\$ 840.9
Less: Estimated Lapses	(20.0)	0.0	(20.0)
Total Estimated Expenditures	\$ 820.9	\$ 0.0	\$ 820.9
Projected Surplus from Operations for FY 00 [1]	\$ 52.9	\$ 10.5	\$ 63.4
Plus: Available Fund Balance (Required per Section 13b-68) [1]	20.0	0.0	20.0
Cumulative Surplus as of June 30, 2000	\$ 72.9	\$ 10.5	\$ 83.4
Less: Reserve for Debt Retirement [1]	(52.9)	(10.5)	(63.4)
Fund Balance as of June 30, 2000 [1]	\$ 20.0	\$ 0.0	\$ 20.0

[1] Please note that Sec. 13b-68, CGS, requires that amounts in excess of \$20 million be used by the State Treasurer to reduce the future cost of Special Tax Obligation (STO) debt service. Thus, the projected \$63.4 million surplus from operations for FY 00 may be used by the State Treasurer for debt retirement. It should also be noted that \$31.4 million from the FY 98 surplus and \$51.9 million from the FY 99 surplus are also available to be used for debt retirement.

FY 00 Transportation Fund Revenue
as of November 16, 1999
(in thousands)

	FY 00 Budget Plan	OFA Over/(Under) Budget Plan	FY 00 OFA Estimate
Taxes			
Motor Fuels Tax	\$ 500,000	\$ 10,000	\$ 510,000
Petroleum Products Tax	36,000	0	36,000
Sales Tax - DMV	10,000	0	10,000
Refunds of Taxes	(5,500)	0	(5,500)
Total - Taxes Less Refunds	\$ 540,500	\$ 10,000	\$ 550,500
Other Sources			
Motor Vehicle Receipts	\$ 185,800	0	185,800
Licences, Permits, and Fees	111,000	0	111,000
Interest Income	36,000	0	36,000
Federal Grants (FTA)	2,500	500	3,000
Transfer to Conservation Fund	(2,000)	0	(2,000)
Total -Other Sources	\$ 333,300	\$ 500	\$ 333,800
Total Revenue	\$ 873,800	\$ 10,500	\$ 884,300